FALCONBRIDGE NICKEL MINES LIMITED

NOTICE OF THE ANNUAL AND A GENERAL MEETING OF SHAREHOLDERS

INFORMATION CIRCULAR

FALCONBRIDGE NICKEL MINES LIMITED

7 King Street East
Toronto - Ontario

NOTICE OF THE ANNUAL AND A GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual and a General Meeting of Shareholders of FALCONBRIDGE NICKEL MINES LIMITED will be held in the Confederation Room, Royal York Hotel, Toronto, Ontario, on

THURSDAY, THE 25th DAY OF APRIL, 1968

at the hour of ten (10:00) o'clock in the forenoon (Toronto Time) for the following purposes:

1. to consider and, if thought advisable, to confirm the following resolution passed by the directors of the Company on the 20th day of March, 1968, namely:

   "RESOLVED as a special resolution of the Company that:

   (1) the directors of the Company may from time to time elect a Chairman of the Board of Directors from among themselves;

   (2) in the event that a Chairman of the Board of Directors is so elected,

   (a) he shall when present preside at all meetings of the directors and of the shareholders of the Company and shall have such other powers and duties as may be assigned to him from time to time by the directors;

   (b) the chief executive officer of the Company charged with the general supervision of the business and affairs of the Company shall be either the Chairman of the Board of Directors or the President, as shall be determined from time to time by the directors;

   (c) in the absence or inability or refusal to act of the Chairman of the Board of Directors, the President shall be vested with all the powers and shall perform all the duties of the Chairman of the Board of Directors; the President shall also perform such other duties as may be assigned to him from time to time by the directors; and

   (3) in the event that a Chairman of the Board of Directors is not so elected or in the event of any vacancy in such office, the President shall be the chief executive officer of the Company charged with the general supervision of the business and affairs of the Company and shall when present preside at all meetings of the directors and of the shareholders of the Company."

2. to consider and, if thought advisable, to confirm the following By-Law C enacted by the directors of the Company on the 20th day of March, 1968, namely:

   "BE IT ENACTED AND IT IS HEREBY ENACTED as a By-Law of Falconbridge Nickel Mines Limited (hereinafter called the "Company") that By-Law A of the Company be and the same is hereby amended as follows:

   1. by inserting the words "the Chairman of the Board of Directors, if any," before the words "the President" in sub-clause (f) of clause numbered 3, in sub-clauses (c), (i) and (j) of clause numbered 4, in sub-clause (d) of clause numbered 5 and in sub-clause (a) of clause numbered 8;

   2. by inserting the words "the Chairman of the Board of Directors, if any, and" before the words "the President" in sub-clause (b) of clause numbered 4; and

3. by deleting therefrom sub-clause (d) of clause numbered 4.

ENACTED AND PASSED by the directors this 20th day of March, 1968.

H. J. FRASER,
President.

G. T. N. WOODROOFFE,
Secretary."

3. to consider and, if thought advisable, to confirm the following resolution passed by the directors of the Company on the 24th day of January, 1968, namely:

"RESOLVED as a special resolution of the Company that:

1. The number of directors of the Company is hereby increased from eleven to twelve so that the board of directors of the Company shall hereafter be composed of twelve directors.
2. Five directors shall constitute a quorum at any meeting of the board of directors.
3. All prior by-laws, resolutions and proceedings of the Company inconsistent herewith are hereby amended, modified and revised in order to give effect to this special resolution."

4. to receive the 1967 Annual Report including the consolidated financial statements for the year ended December 31, 1967 and the Auditors' Report thereon;
5. to elect directors;
6. to appoint auditors and to authorize the directors to fix their remuneration; and
7. to transact all such other business as may properly come before the meeting.

A copy of the 1967 Annual Report accompanies this notice.

DATED at Toronto this 20th day of March, 1968.

By Order of the Board,

G. T. N. WOODROOFFE,
Secretary.

If you are unable to be present at the meeting, kindly date, complete and sign the accompanying form of proxy and return it in the enclosed return envelope.

FALCONBRIDGE NICKEL MINES LIMITED

ANNUAL AND A GENERAL MEETING OF SHAREHOLDERS

To be held on the 25th day of April, 1968

INFORMATION CIRCULAR

(Dated as of March 1, 1968)

1. SOLICITATION OF PROXIES

This circular is furnished in connection with the solicitation of proxies by the management of FALCONBRIDGE NICKEL MINES LIMITED to be voted at the Annual and a General Meeting of Shareholders of the Company to be held on Thursday, the 25th day of April, 1968, in the Confederation Room, Royal York Hotel, Toronto, Ontario, at 10:00 o'clock in the forenoon (Toronto Time) and at any and all adjournments thereof, for the purposes set forth in the accompanying notice of the meeting. The management does not contemplate solicitation of proxies otherwise than through use of the mails. The Company does not intend to pay any compensation for the solicitation of proxies, but may pay brokers or other persons holding shares in their own names or in the names of their nominees their expenses for sending proxies and proxy material to beneficial owners and obtaining their proxies. The Company will bear all expenses in connection with the solicitation of proxies.

2. APPOINTMENT AND REVOCATION OF PROXIES

The execution of a proxy will not affect a shareholder's right to attend the meeting and vote in person.

The persons designated in the accompanying form of proxy are officers or directors of the Company. A shareholder has the right to appoint some other person, who need not be a shareholder, to represent him at the meeting and he may exercise this right by striking out the names of the persons designated and by inserting such other person's name in the blank space provided in the form of proxy accompanying this information circular.

A shareholder who has given a proxy in the accompanying form has the power to revoke it at any time before it is exercised.

3. VOTING SHARES AND PRINCIPAL HOLDER THEREOF

The holders of shares in the capital of the Company of record at the time of the meeting are entitled to vote on all matters which properly come before the meeting. There are 4,904,064 shares outstanding. Each share carries one vote. McIntyre Porcupine Mines Limited beneficially owns 1,804,401 shares, being about 37% of the issued shares of the Company. No other company or person is known to management to own more than 10% of the issued shares.

4. CHAIRMAN OF THE BOARD OF DIRECTORS

At the meeting the shareholders will be asked to confirm a resolution passed by the directors of the Company on March 20, 1968 providing for the office of Chairman of the Board of Directors and prescribing the duties of any such Chairman of the Board of Directors and of the President. Confirmation of this resolution requires the affirmative vote of at least two-thirds of the votes cast at the meeting. Shareholders will also be asked to confirm By-Law C enacted by the directors on March 20, 1968 amending By-Law A in view of the creation of the office of Chairman of the Board of Directors. Confirmation of this By-Law requires at least a majority of the votes cast at the meeting.

5. ELECTION OF DIRECTORS

The board now consists of eleven directors to be elected annually. At the meeting the shareholders will be asked to confirm a resolution passed by the directors of the Company on January 24,

1968 increasing the number of directors from 11 to 12. Confirmation of this resolution requires the affirmative vote of at least two-thirds of the votes cast at the meeting. If the said resolution is confirmed by the requisite affirmative vote, the persons named in the enclosed form of proxy intend to vote for the election of all the proposed nominees whose names are set forth below. If the said resolution is not confirmed by the requisite affirmative vote, the persons so named intend to vote for the election of the 11 proposed nominees whose names are first set forth below. The management does not contemplate that any of the proposed nominees will be unable or unwilling to serve as a director. If for any reason any of them shall be unable or unwilling to serve, it is intended that proxies given pursuant to this solicitation by management will be voted for a substitute nominee or nominees selected by management. Each director elected will hold office until the next Annual Meeting of Shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company.

Name	Principal Occupation or Employment at present and within the last five years	Director Since	Number of Shares Beneficially Owned
R. CAMPBELL	Since February 1, 1968, Senior Vice President of the Company prior to which Executive Vice President of the Company.	1958	500
C. F. H. CARSON	Partner in the law firm of Tilley, Carson, Findlay & Wedd.	1956	600
M. A. COOPER	Since 1967 President of McIntyre Porcupine Mines Limited, a mining company, prior to which a partner in the firm of James, Buffam and Cooper, Consulting Geologists.	1967	3,000
O. D. COWAN	Chairman of the Board and President of Ontario Steel Products Company Limited, a manufacturing company.	1957	150
W. G. DAHL	Since 1964 Vice President — Marketing of the Company, prior to which a Director and Vice President — Sales, Latrobe Steel Company, Pennsylvania.	1968*	300
H. J. FRASER	President and Managing Director of the Company.	1948	4,721
E. L. HEALY	Since February 1, 1968, Executive Vice President — Operations of the Company, prior to which from 1965, Vice President — Nickel Division; prior to which from 1964, Director of Mining Engineering and Research; prior to which from 1962 Manager, Nickel Division — Sudbury Operations.	1967	300
W. F. JAMES	Partner in the firm of James, Buffam and Cooper, Consulting Geologists.	1963	940
H. B. KECK	President of The Superior Oil Company, a petroleum company.	1967	1,000
R. B. WEST	Chairman of the Board of The Boiler Inspection and Insurance Company of Canada. From 1965 to 1967, Chairman of the Board of A. E. Ames & Co. Limited, prior to which President of such Company.	1956	1,700
F. P. JONES	Executive Vice President of The Superior Oil Company, a petroleum company.		Nil
F. H. BRANDI	Chairman of Dillon, Read & Co. Inc., Investment Bankers.		Nil

* Mr. Dahl became a director on January 24, 1968.

Mr. R. Campbell owns 10 shares of La Luz Mines Limited, a subsidiary of the Company.

Mr. M. A. Cooper owns 28,750 shares of Alminex Limited and 558 shares of Falconbridge Dominicana, C. por A., subsidiaries of the Company.

Mr. O. D. Cowan owns 400 shares of Alminex Limited, a subsidiary of the Company.

Mr. H. J. Fraser owns 5,000 shares of Alminex Limited, 700 shares of Falconbridge Dominicana, C. por A., 2,000 shares of Industrial Minerals of Canada Limited and 5,000 shares of Kiena Gold Mines Limited, subsidiaries of the Company.

Mr. W. F. James owns 26,250 shares of Alminex Limited, 1,052 shares of Falconbridge Dominicana, C. por A. and 2,000 shares of Lake Dufault Mines Limited, subsidiaries of the Company.

McIntyre Porcupine Mines Limited has shareholdings in the Company as shown above, but otherwise no associate of the above listed nominees is known to hold more than 10% of the voting rights attached to the shares of the Company.

6. Remuneration of Directors and Senior Officers

(1) Aggregate direct remuneration paid in 1967 to the directors and senior officers of the Company was:

By the Company and its consolidated subsidiaries	$548,824
By other subsidiaries of the Company	$ 6,664

(2) Estimated aggregate cost to the Company and its subsidiaries in 1967 of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age .... $ 80,082

7. Appointment of Auditors

It is intended that proxies given pursuant to this solicitation by management will be voted in favour of the re-appointment of Messrs. Clarkson, Gordon & Co. as auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

8. General

The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations to matters identified in the accompanying Notice of the Meeting and other matters which may properly come before the Meeting. The management of the Company presently knows of no matters to come before the Meeting other than those referred to in the Notice of the Meeting.

All shares represented by proxies will be voted. Where choices have been specified on the form of proxy with respect to the confirmation of the resolution providing for the office of Chairman of the Board of Directors, the confirmation of By-Law C and the confirmation of the resolution increasing the number of directors, the shares shall be voted in accordance with the specifications so made.

Printed in Canada

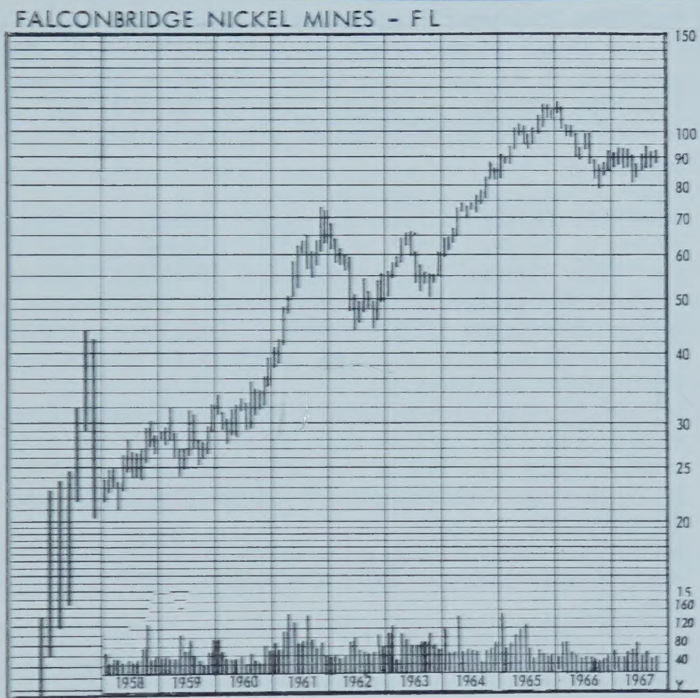
WILLS, BICKLE & COMPANY
LIMITED
INVESTMENTS
MEMBERS
THE INVESTMENT DEALERS' ASSOCIATION OF CANADA
TORONTO STOCK EXCHANGE
CABLE ADDRESS "WILBRICO"
44 KING STREET WEST
TORONTO 1, CANADA
368-3081
TELEX 02-2316

INVESTOR'S DIGEST

file

January 3rd, 1968

FALCONBRIDGE NICKEL MINES LTD.



Courtesy — The Canadian Analyst Limited

Falconbridge is the second largest nickel producer in the free world, operating six mines in the Sudbury area of Ontario. The ore is concentrated and smelted in Sudbury and refined at the company's plant in Norway close to its important European markets. 1966 production was approximately 62 million pounds of nickel and 32.8 million pounds of copper from the treatment of 2.1 million tons of ore. Nickel deliveries totalled 79 million pounds including 17 million pounds purchased from the U.S. Government stockpile. Metal sales including stockpile nickel were valued at $92.5 million. Sudbury ore reserves are conservatively estimated to be sufficient for more than 20 years production. Falconbridge also has a substantial investment portfolio of mining shares valued at approximately $190 million or $38.80 per share. The combined earnings of the mining operations and portfolio income produced a net profit of $27.7 million in 1966 or $5.66 per share. First half earnings this year were $2.19 per share compared to $2.82 per share reflecting higher costs and lower production principally due to labour shortages.

Falconbridge is currently in the midst of a major growth programme which includes:

STRATHCONA MINE — The bringing into full production by mid-1968 of this new mine in the Sudbury area at a cost of more than $50 million will increase mine production capacity by more than 50% to approximately 100 million pounds of nickel annually.

WESTFROB MINE — Iron ore production under contract to a Japanese customer began during August 1967 at the company's $43 million mine in the Queen Charlotte Islands of British Columbia. During the 3 year tax-exempt period the company will be producing from the high yield iron-copper zone. The estimated annual cash flow during this period is $10 million or $2.00 per share. Ore reserves are sufficient for 15 years life at the current rate of production.

NORWEGIAN SHIP — The acquisition of its own 9,500 ton Norwegian ship which is to begin transporting nickel copper matte to the Norwegian refinery in 1969 should result in substantial cost savings.

PYRRHOTITE PLANT — Falconbridge has announced plans for a $60 million iron pyrrhotite treatment plant in Sudbury. This will process waste tailings for iron and sulphur recovery. Completion is scheduled for 1970.

DOMINICAN REPUBLIC — For several years Falconbridge has been experimenting in the Dominican Republic with pilot plants for the treatment of its reserves of lateritic nickel ore. An enlarged pilot plant, four times the size of the previous one, began operating in February 1967. Experience shows that the company will be able to produce nickel at a satisfactory cost per pound. If the company builds a plant there, it would likely cost in excess of $125 million, and would probably be financed with the assistance of an international banking organization.

UNGAVA QUEBEC — A major drilling programme has been underway for several seasons in the Ungava area of Northern Quebec on the properties of New Quebec Raglan Mines Limited which is approximately 60% owned by Falconbridge. A substantial tonnage potential of good grade nickel ore has been indicated. A production feasibility study is being made while further drilling is planned to extend the ore zones. This project would require substantial capital if production is feasible and a decision is made to go ahead.

EXPLORATION & RESEARCH — The company's expenditures on exploration, research and process development have grown in the past years from $5.2 million to $12.5 million in 1966 or $2.50 per share. A broad programme of mineral exploration is conducted in Canada, while research continues in ore processing and nickel uses.

The Investment Portfolio

At December 31st, 1966 these securities had a market value of approximately $175 million or $35.75 per share of Falconbridge. At current market prices this portfolio is

worth approximately $190 million or $38.80 per share of Falconbridge.

The major investments making up the portfolio are as follows:

Name of Security	Nature of Business	Current Market Value per share of Falconbridge
Alminex	Oil & Gas	$5.08
Industrial Minerals	Nepheline & Silica	1.56
Kilembe Copper Cobalt	Copper	5.33
Lake Dufault Mines	Zinc-Copper	4.01
La Luz Mines	Copper Gold	2.54
New Quebec Raglan	Nickel Prospect	5.67
Giant Yellowknife	Gold	1.99
McIntyre Porcupine	Holding Co.	2.87
Opemiska	Copper	3.87
United Keno Hill	Silver Lead Zinc	1.71
Ventron	Scientific Research	2.22
Other		1.85
		$38.80

NOTE:

The above calculations assume that there has been no change since December 31st, 1967 in the number of shares held in each investment.

The earnings of Falconbridge in 1966 were increased due to the high L.M.E. copper prices realized by two of its subsidiaries, Kilembe Copper Cobalt and La Luz Mines on their sales of copper. In 1967 dividend income from these two securities declined sharply from about $1.75 to 70 cents per share of Falconbridge. Apart from these two there were no significant changes in 1967 dividend income of Falconbridge.

It is not likely that there will be any significant increase in income from the investment portfolio over the next several years. It is also quite likely that for the next few years the investment income will continue to decline, as it did in 1967. At the end of 1966 Lake Dufault, which contributes approximately $1.70 to Falconbridge earnings, had an estimated mine life of 2.5 years based on proven ore reserves. There have been no significant discoveries by Lake Dufault in 1967 which would add to ore reserves. It would therefore be reasonable to expect Lake Dufault to pay its final dividend in 1969 or 1970. It is also reasonable to expect that there will be cuts in dividend receipts from other Falconbridge subsidiaries and affiliates when the U.S. copper producer strike is terminated and copper prices decline. The Falconbridge portfolio includes three stocks which have performed extremely well in 1967:—

(1) United Keno Hill shares have almost tripled in price as a result of a sharp increase in the price of silver. The company is currently sinking a new production shaft.

(2) Alminex shares have appreciated 50% following increased investor interest in Canadian oil shares resulting from stepped up exploration activity and the Mid-East crisis.

(3) Ventron shares have more than tripled. The company is engaged in very interesting fields as follows:—

Scientific and Electronic equipment,
Semiconductor Materials,
Remote Control Systems,
Inorganic and Organometallic Research Chemicals.

RECOMMENDATION

The outlook for nickel is excellent with demand expected to increase 6% to 7% per annum. The price is firm having advanced 20% in the past 18 months.

Falconbridge's net income is not likely to decline significantly as a result of a decline or loss of income from any one source. The Strathcona and Westfrob projects will more than replace declining investment portfolio dividends. It is also likely that other new projects such as the pyrrhotite treatment plant, the nickel property of New Quebec Raglan and the Dominican Republic lateritic nickel property will continue to lead to increasing net income. At $95.00 the shares are selling at 19.2 times estimated 1967 earnings and 16.2 times estimated 1968 earnings and yield 3.7% on the $3.50 annual dividend. The shares are recommended for capital appreciation.

(See Operating Results panel on flap opposite)

Industry and the Nation

POPULATION — Canada's population at October 1st was 20,548,000, up 296,000 since the start of this year.

GROSS NATIONAL PRODUCT — The Gross National Product rose half of 1% in the 3rd quarter to a seasonally adjusted annual rate of $61.9 billion. The increase was misleading as prices during the quarter rose almost 1% in real terms and Canada's output of goods and services declined in the 2nd quarter. Looking ahead to the probable Gross National Product for the whole year the bureau of statistics forecasts an increase of 6.4% to 6.6%. The annual Gross National Product rate was $61.6 billion in the 2nd quarter, $60.3 billion in the 3rd quarter and for the year 1966 $56.7 billion.

FOREIGN EXCHANGE RESERVES — Canada sold to the United States $100,000,000 of gold in December. The proceeds of the sale have been invested in short term securities. Foreign exchange reserves at the end of November were $2.28 billion of which $1.10 billion was gold.

FOREIGN TRADE — Canada's export balance at $82.9 million in October, 1967, showed substantial contrast to the 1966 October import balance of $35.6 million. Imports during the month were down 1.3% at $924.3 million, as against $936.2 million in the same period of 1966, while exports increased 11.8% to $1 billion from $900 million last year.
During the first 10 months of 1967 the export balance widened to $343 million from $185 million last year. Imports were up 9.4% at $9 billion as compared with $8.2 billion and exports rose 11.1% to $9.4 billion from $8.4 billion.
Securities trade produced a net inflow of $359 million in the first nine months of 1967 compared to $382 million a year ago.

BANK RATE — The Bank of Canada raised its bank rate to 6% from 5%, bringing this basic lending charge which influences the structure of interest rates in Canada generally to its highest level since 1962. The chartered banks have followed by increasing their prime lending rate to 6½%. The National Housing Act insured mortgage rate has been increased to 8⅝%.

UNEMPLOYMENT — Canadian unemployment declined to 4.3% of the labour force in mid-November from 4.7% in mid-October. The number of unemployed increased to 289,000 in November from 254,000 in October.

CONSUMER PRICE INDEX — Canadians paid more for clothing, housing, recreational activity and food in November with the result that the consumer price index moved up half a point to 151.0. The index stood at 150.5 in October and 145.5 in November last year.

CONSUMER CREDIT — Consumer credit outstanding on the books of major Canadian lenders rose $31 million to $6.405 billion at the end of August from $6.374 billion a month earlier. The latest month's total was up from

EARNINGS STATEMENTS

M E P C Canadian Properties Ltd. (Sept. 30)	.21	.22
Bank of Montreal (Oct. 31)	.68	.66
Niagara Structural Steel Co. Ltd. (Aug. 31)	.07	1.04
Bank of Nova Scotia (Oct. 31)	.86	.78
National Trust Co. Ltd. (Oct. 31)	1.10	1.01
Royal Bank of Canada, Oct. 31	.91	.82
Salada Foods Ltd. (Sept. 30)	.86	.92
Silverfields Mining Corp. Ltd. (Aug. 31)	.50	.49
Slater Steel Industries Ltd. (Oct. 31)	1.23	.85
Sullivan Consolidated Mines Ltd. (Aug. 31)	.60	.49
Toronto-Dominion Bank (Oct. 31)	.82	.73
Victoria & Grey Trust Co. (Oct. 31)	1.13	.98

Falconbridge — estimates

FALCONBRIDGE NICKEL MINES LIMITED

Operating Results (in 000's)

	1964	1965	1966	1967E	1968E	1969E
Sales Revenue	$80,306	$82,840	$92,495	$95,000	$120,000	$140,000
Operating profit from nickel operations	23,999	23,380	21,961	22,500	27,000	32,000
Earnings of non-nickel subsidiaries	1,012	1,251	1,284	3,300	7,300	7,500
Investment income	11,055	17,418	23,209	16,000	11,500	10,500
	36,066	42,049	46,454	41,800	45,800	50,000
Interest, exploration and research expenses	4,601	6,681	12,554	12,500	10,000	19,000
Earnings before income taxes	31,465	35,368	33,900	29,300	35,800	41,000
Income Taxes	9,500	8,600	6,175	5,000	7,000	8,000
Net Earnings	21,965	26,768	27,725	24,300	28,800	33,000
Shares outstanding	4,871	4,892	4,895	4,902	4,904	4,906
Earnings per share	$4.51	$5.47	$5.66	$4.96E	$5.87E	$6.73E

E = Estimate.

MARKET RATE FOR THE U.S. DOLLAR	December 28	A Week Ago	A Month Ago	A Year Ago
	108 1/32	107 15/16	107 15/32	108 3/16

CANADA TREASURY BILL RATES	December 28	A Week Ago	A Month Ago	A Year Ago
91 Days	Ave. 5.95	5.93	5.39	4.96
182 Days	6.13	6.12	5.58	5.03

TORONTO STOCK EXCHANGE INDICES	December 29	A Week Ago	A Month Ago	A Year Ago
Industrials	162.25	159.89	162.31	148.22
Golds	199.18	201.67	181.84	153.13
Base Metals	106.99	104.24	103.05	86.50
Western Oils	220.05	216.08	223.42	131.85

NATURAL RESOURCES INDICATORS	Latest Month	A Year Ago	% Change	Total To Date	A Year Ago	% Change
Newsprint Shipment (tons) ....Nov.........	687,241	737,566	— 6.8	7,322,002	7,644,294	— 4.2
Steel Ingots Production (tons) ......Nov.........	772,734	784,485	— 1.5	8,780,987	9,166,019	— 4.2
Iron Ore Shipments (tons) ....Oct.........	5,673,215	5,340,504	+ 6.8	35,178,787	34,578,807	+ 1.7
Copper Production (tons) ....Oct.........	55,729	46,051	+21.0	497,051	417,023	+19.2
Nickel Production (tons) ....Oct.........	42,521	37,227	+14.2	413,569	360,166	+14.8
Zinc Production (tons) ....Oct.........	105,803	88,045	+20.2	1,033,456	866,132	+19.3
Lead Production (tons) ....Oct.........	29,968	25,380	+18.1	279,815	267,387	+ 4.6
Gold Production (fine ozs.) ....Oct.........	245,860	260,421	— 5.6	2,480,187	2,750,653	— 9.8
Silver Production (fine ozs.) ....Oct.........	3,389,848	2,661,722	+27.4	31,207,916	26,837,279	+16.3
Asbestos Shipments (tons) ....Oct.........	133,286	121,338	+ 9.8	1,130,126	1,186,412	— 4.7
Portland & Masonry Cement Shipments (tons) ....Oct.........	862,203	970,794	—11.2	6,835,407	7,870,483	—13.2

$5.892 billion in the same period in 1966. The August increase was mainly due to a $32 million rise in chartered bank personal loans.

LABOUR INCOME — Average weekly wages in Canadian manufacturing increased to $99.09 in September from $97.43 in August and $93.65 in September 1966. Average hourly earnings increased to $2.42 from $2.40 in August and $2.27 in September last year. Average weekly hours worked increased to 40.9 in September from 40.5 in August but were below 41.2 in September 1966.

PERSONAL SAVINGS — Personal savings deposits in the chartered banks on October 31st totalled $11.8 billion. The comparable figure for September 30th was $11.6 billion and for October 31st of last year was $10.6 billion.

CHAIN STORES — Sales of Canadian chain stores reached a new record of $5.4 billion in the first nine months of 1967, an increase of 8.2% over $5 billion in the corresponding period of 1966. Sales were higher in all of the specified stores, with increases ranging from 5% in shoe stores to 18.6% in variety stores. Sales in all other store categories rose 9.6%.

DEPARTMENT STORE SALES — Canadian Department store sales increased 11.9% in November from the same period a year ago. Sales rose 17.2% in Alberta, 14.7% in Quebec, 13.8% in Ontario, 10.7% in British Columbia, 8.5% in the Atlantic Provinces, 3.1% in Manitoba, 7-10ths of 1% in Saskatchewan.

CANADIAN MANUFACTURERS — Orders totalling $3.287 billion rose 4.4% from $3.150 billion in September and were up 3.5% from $3.175 billion in October last year. Shipments in October were valued at $3.268 billion and were up marginally from September of this year and 1.9% higher than October last year. Owned inventories increased to $6.723 billion on October 31st from $6.719 billion September 30th and the order backlog swelled to $3.737 billion from $3.718 billion. Inventories were up 3.7% from $6.484 billion a year earlier and unfilled orders advanced 4.2% from $3.587 billion.

CORPORATE PRETAX PROFITS — Canadian corporations pre-tax profits increased 2.3% in the third quarter to $1.256 billion. Profits were up $28 million from the second quarter. Manufacturing profits declined less than 1% to $519 million from $523 million.

DIVIDENDS — Canadian dividend payments for 1967 are at a record high for the 9th consecutive year. Cumulative total of $1.417 billion is 5% above the previous peak of $1.349 billion for 1966 and 18% ahead of $1.195 billion in 1965.

CONSTRUCTION — November awards totalled $499.8 million 36.7% already last year. All categories except industrial shared in the increase. 11 month awards totalled $4.71 billion, 3.5% higher than last year.

WHOLESALE PRICE INDEX — The Canadian general wholesale price index rose to 265.1 in October from 264.7 in September. The index, based on 1935-39 prices, was 260.3 in October last year.

Canadian wholesale trade increased 6.3% to $1.2 billion in October up from $1.1 billion in the same period a year ago. Sales rose 4.1% in the first 10 months of 1967 to $11.2 billion from $10.8 billion last year.

ALBERTA OIL — The January allowable production rate for Alberta crude oil has been set at 748,071 barrels daily. This rate is 1.1% higher than in December and 5.9% above January 1967.

Corporate News . . .

ALCAN ALUMINIUM — The company said its subsidiary, Alcan Australia Ltd., had completed arrangements in Australia to raise the equivalent of $23 million Canadian toward the financing of new operations being undertaken in that country. A further amount of about $20 million Canadian is being provided by the parent company

EARNINGS STATEMENTS

Three Months	1967	1966
Copperfields Mining Corp.	$ .05	$ .06
Distillers Corp. Seagrams	.99	.95
Hayes-Dana Ltd	.11	.15
Sherwin-Williams	.78	.80

Six Months	1967	1966
Canada Cement	$1.42	$3.40
Canadian Jamieson	.10	—
Chateau-Gai Wines Ltd.	.45	.40
General Bakeries	.19	.26
Globe Envelopes	.37	.38
Horne & Pitfield Foods Ltd. (28 weeks)	.22	.22
Maple Leaf Mills Ltd.	.97	—
Neon Products of Canada Ltd.	.25	.28
Niagara Wire Weaving Co. Ltd.	.49	.85
Union Gas Co. of Canada Ltd.	.08	.07
Wajax Ltd.	.98	1.14
Westcoast Transmission Co. Ltd.	.56	.07

Nine Months	1967	1966
Banff Oil Ltd.	$ .13	$ .10
Bethlehem Copper Corp. Ltd.	.58	.89
Calgary Power Ltd.	1.17	1.17
Canadian Delhi Oil Ltd.	.20	.17
Canadian Hydrocarbons Ltd.	1.15	1.16
Canadian Utilities Ltd.	2.23	1.86
Cassidy's Ltd.	.77	.42
Central-Del Rio Oils Ltd.	.41	.43
Famous Players Canadian Corp. Ltd.	1.50	1.33
French Petroleum Co. of Canada Ltd.	.16	.16
Giant Yellowknife Mines Ltd.	.26	.37
Great Northern Capital Corp.	.36	—
Home Oil Co. Ltd.	.75	.65
International Utilities Corp.	1.80	1.40
Liberian Iron Ore Ltd.	.55	.64
M. Loeb Ltd. (40 weeks)	.56	.56
Mattagami Lake Mines Ltd.	1.31	1.94
Milton Brick Co. Ltd	.50	.32
Noranda Mines Ltd.	2.84	2.73
Oshawa Wholesale Ltd. (40 weeks)	.49	.39
Quebec-Telephone	.88	.85
Reichhold Chemicals Canada Ltd.	2.23	1.56
Sogemines Ltd.	.92	.92
Trans-Prairie Pipelines	.46	.42
Western Decalta Petroleum Ltd.	.06	.08½

Twelve Months	1967	1966
Canada & Dominion Sugar Co. Ltd. (Sept. 30)	$2.32	$2.17
Canadian Food Products Ltd. (Sept. 30)	.45	.43
Canadian Imperial Bank of Commerce (Oct. 31)	.76	.70
Canadian International Power Co. Ltd. (Dec. 31)	4.89 U.S.	4.58 U.S.
Chum Ltd. (Sept. 30)	.81	.47
Copperfields Mining Corp. Ltd. (June 30)	.13	.18
Craigmont Mines Ltd. (Oct. 31)	2.15	1.50
Dominion Bridge Co. Ltd. (Oct. 31)	1.94	2.46
East Sullivan Mines Ltd. (Aug. 31)	.87	1.14
Kelsey-Hayes Canada Ltd. (Aug. 31)	.95	.71
Massey-Ferguson Ltd. (Oct. 31)	1.47	2.50

through share subscriptions and notes. The proceeds will be used for the construction of Australia's first aluminum smelter which will be situated in New South Wales. Operations will begin in 1969 at an initial effective capacity of 30,000 tons annually. It will be designed to permit an increase in capacity to 50,000 tons.

BANK OF MONTREAL — The Bank of Montreal and the Philadelphia National Bank of New York stated that effective December 31, each will acquire a 10% interest in Joh Berenberg Gossler & Co., one of West Germany's leading private banks. Berenberg Gossler has assets exceeding $1.7 billion and conducts a general banking business.

B. A. Oil — The company will spend $10,000,000 to expand the crude oil capacity of its Port Moody, B.C. refinery by 50% to 30,000 barrels a day. The expansion programme will begin in 1968 for completion in 1969.

CDRH LTD. — Formerly Canadian Dredge and Dock has purchased Fortier and Associates of Edmonton, a group which provides catering and camp equipment to resource operators in Northern Alberta, British Columbia and the Northwest Territories. Fortier's sales exceeded $6.6 million in the latest fiscal year while profits have averaged approximately $250,000 annually over the past four years.

CONSOLIDATED BATHURST — The company recently purchased for an undisclosed price two German subsidiaries of Container Corporation of America. The German subsidiaries are Europa Carton A.G. and Bremer Paier-und Wellpappen-Fabrick A.G. which operate paperboard converting plants and paper mills throughout Germany.

DOMINION GLASS — The company will spend $5 million to further expand capacity of its plant in Burnaby, B.C. The new programme is in addition to a 50% increase in the plant's capacity completed this month. The expansion results from a tremendous increase in demand for glass bottles, mainly by the soft drink industry in western Canada.

DOMTAR LTD. — The Company recently stated that Bristol-Myers Company has agreed to pay slightly in excess of $37,000,000 (Canadian Funds) for its consumers products division. The division currently has sales in the area of $20,000,000 per year.

The company recently announced that it has expanded its interest in paper production in Italy by acquiring control of a fine paper and specialty papers company, Cartiera Italiana, in partnership with Societa Meridionae Finanziaria its Italian partner.

IMPERIAL OIL — The company said that the current programme to expand its Sarnia oil refinery to 130,000 barrels daily from 94,000 will cost $93 million and will be completed some time in 1969. The expansion includes building new cracking and associated units for fuels and new chemical facilities.

INTERNATIONAL NICKEL — The company increased its domestic price for copper to .51¢ a pound from .47¼¢, effective December 1st. In European markets the price will continue to be based on London Metal Exchange prices.
Company researchers have developed a new copper-base alloy which combines excellent strength with high resistance to sea-water corrosion. The alloy, called IN 732X, contains 30% nickel and nominally 2.8% chromium. The new alloy is expected to extend considerably the usefulness of copper-nickel alloys in marine hardware.

INTERPROVINCIAL PIPE LINE — The U.S. has agreed to permit Interprovincial Pipe Line to construct a pipeline to carry Canadian petroleum into the key Chicago refining and marketing area. Initially, Interprovincial Pipe Line contemplates construction of a 34" spur pipeline from its main line in Superior, Wisconsin to Chicago at a cost of $75 million. The second step would be to build a complete loop from Chicago to Sarnia when combined demand in the U.S.A. and Canada warrants it. The key question of higher petroleum exports from Canada to the United States has not yet been resolved and, therefore, although it appears the pipeline can be built, its full utilization is still in doubt.

NORANDA MINES LTD. — Noranda will build a $70,000,000 aluminum plant at New Madrid, Missouri. Production is expected to begin in late 1970. Initial capacity will be 60,000 short tons per year.

PRICE COMPANY — The company will jointly construct with Boise Cascade Corp. of Boise, Idaho, a multimillion dollar 150,000 ton a year newsprint mill near De Ridder, Louisiana. The mill is expected to be in production by 1970 and will consist initially of one high-speed newsprint machine and ancillary equipment. Provision will be made for the installation later of a second machine. The mill will mark the first U.S. newsprint manufacturing venture for both companies. Newsprint is to be sold primarily to southern U.S. publishers.

QUEBEC NATURAL GAS — The Quebec Electricity and Gas board has authorized a rate increase for firm service to residential, commercial and industrial customers effective January, 1968. The company stated that had the rate increase been in effect during 1967, earnings for the year would have been improved by 65¢ to 70¢ per common share.

TRANS MOUNTAIN — Throughput during December averaged 271,884 barrels a day compared with 265,935 last year. 1967 deliveries averaged 281,023 barrels daily compared to 250,120 in 1966. January 1968 is forecast at 250,000 barrels per day.
The company said it will form a new wholly-owned subsidiary Trans Mountain Enterprises of British Columbia. The objects of the subsidiary will be broad and will include authority to construct pipelines lying entirely within the province of B.C.
The first project will be construction of a $2 million six-inch pipeline to transport jet fuels from the four refineries in the greater Vancouver area to the new Vancouver airport terminal which should be opened in mid-1968.

WESTCOAST TRANSMISSION — The National Energy Board has refused to allow a reduced price on the sale of Canadian natural gas to El Paso Natural Gas Co. by Westcoast. The board stated that the 29.5¢ per thousand cubic feet price sought by Westcoast was too low. The N.E.B. had earlier approved a 35.42¢ price which the Federal Power Commission in the United States would not allow El Paso to pay. Westcoast will make the additional exports at the low price under a temporary permit while price negotiations continue.

Sil

FALCONBRIDGE
NICKEL MINES LIMITED

Remarks by

Mr. H. J. FRASER
PRESIDENT AND MANAGING DIRECTOR

to

39th Annual Meeting of Shareholders
Royal York Hotel, Toronto

April 25, 1968

Ladies and Gentlemen:

It is a pleasure to welcome you today to the 39th Annual Meeting and to express the appreciation of my fellow Directors and Officers for your continued support during the past year. On August 28, 1968 our company will have been incorporated for forty years but I am confident it still possesses the vigour of youth.

General Comments

The financial results for 1967 and their comparison with previous years are fully set forth in the Annual Report which has been in your hands for the past three weeks. Our earnings of $25,792,000 or $5.26 per share were surpassed only by those of the previous two years, each of which had set a record.

Dividends paid to our shareholders were again $3.50 per share.

Metal sales and other operating revenues of Falconbridge totalled $94,442,000, reaching an all-time high.

Operating profit of $30,264,000 from nickel operations, before write-offs, was the highest in the past five years.

Deliveries of company-produced nickel were greater than the 1966 figure even though total deliveries (including purchased U.S. Government stockpile nickel) were lower.

Production of ores from company mines increased but output of nickel in matte decreased slightly from that of 1966, due to somewhat lower grade ores. Ore reserves were maintained. A shortage of manpower continued; otherwise operations were uneventful throughout the year.

The market value of our investment portfolio at year-end, reflecting higher market prices, rose to $196,302,000 — an increase of more than 15 per cent.

The year also brought forth some adverse factors as follows:

Dividend income from producing uncon-

solidated subsidiary and associated companies, substantial as it was at $16,404,000, showed a marked drop from 1966 — representing 63.6 per cent of our net income in 1967 as against 78.3 per cent a year earlier. Working capital, which stood at $32,773,000 as we entered 1967, fell sharply to $1,357,000 by the end of the year — primarily because of heavy outlays on our Strathcona and, to a lesser extent, Tasu projects. We faced considerably higher operating costs during the year, resulting from several factors, notably wage increases under collective agreements.

Copper production and deliveries by the company were slightly below those of 1966, and our cobalt shipments were lower.

Falconbridge Group Activities

In the Falconbridge group of subsidiary and associated companies, we likewise had a blending of plus and minus factors. Variations in market demand for metals and minerals, fluctuations in costs and price levels, manpower shortages and certain difficulties in operating conditions all had their impact, particularly with reference to copper.

Total net sales of Falconbridge, its subsidiary and managerially associated companies were $215,330,000, compared to $226,180,000 for the same group in 1966 (a decline of 4.8 per cent). Sales and income of affiliated copper-producing companies were lower — and this in turn caused a drop in the tax-free dividend income we received. As you are aware, the upward trend of dividend income has been playing an important part in maintaining Falconbridge earnings at high levels in recent years. Such income represented 40.5 per cent of Falconbridge earnings in 1964; 57.7 per cent in 1965; and, as mentioned earlier, 78.3 per cent in 1966. This upswing was arrested in 1967, mainly through a combination of higher earnings from nickel operations and lower production of, and lower average prices received for, copper.

Nonetheless, dividend income still accounted for almost two-thirds of our net earnings for the year.

Completion of Projects

In many ways it is just as well that the celebration of Canada's Centennial takes place only once every one hundred years. Now that the excitement has been dissipated and it is possible to appraise 1967 dispassionately, one can begin to appreciate the widespread damage done to our economy by the inflationary spree accompanying the Centennial activities, both before and during 1967. The effect on wages, transportation and living costs is still evident. Our Federal and several of our Provincial Governments continue spending at a rate in excess of current tax income and at the same time hinting very broadly at the need for more taxes.

Lack of a realistic attitude was particularly evident amongst construction workers during 1967. The supply of skilled labour was inadequate; fantastic fringe benefits and overtime demands were obtained and there were many unauthorized and unnecessary strikes and delays. Consulting engineering firms and equipment suppliers fell badly behind schedule and construction and installation costs soared. The Tasu plant of wholly-owned Wesfrob Mines Limited was finally completed, nine months late, at a cost of $44,596,000, being an increase in cost of $15,596,000 over that estimated when the project was approved. Although part of that increase was attributable to the step-up in the capacity of the operation during the construction period, most of the increase resulted from the unbridled inflation in British Columbia caused by Government-backed construction programs, chiefly on hydro projects.

At the Strathcona project in the Sudbury area, a somewhat similar situation was experienced. By the beginning of 1967, the estimated cost of the completed project (originally $45,000,000) had risen to

$55,000,000; by year-end even that figure had been increased on several occasions. The first half of the mill was not in full operation until late March, 1968, at which time the cost to completion was estimated at $60,686,000. In fairness to our own employees, I would emphasize that the delays and frustrations arose from the men working under construction contracts who had been infected by the spreading "Centennial fever".

Despite these problems, a number of major projects, on some of which we had been working for several years, were completed in 1967. On June 19th, the opening ceremony for the Tasu plant was held at the plant site in the Queen Charlotte Islands. This project, started in June, 1964, now has an estimated mill capacity of 8,000 tons per day. Its estimated annual plant capacity is 1,100,000 tons of magnetite (iron) concentrate and 40,000 tons of copper concentrate. Unfortunately, on December 21st fire broke out in the upper part of the cobbing plant near the entrance to the adit, in which is located the conveyor system from the open pits. The sprinkler system failed to operate, and as a result of fire damage, the plant was closed for repairs until early March, 1968. Fortunately, the operation was insured against fire and loss of earnings.

Regular shaft sinking at the Strathcona project began at the end of 1960. Mill construction started in June, 1965. At the present time, one-half of the mill circuit is operating and the other half is expected to be in operation by August, 1968. Feed to this mill can be supplemented from Longvack South in the latter part of the year. The Strathcona mine will probably reach full production in April, 1969. It will be necessary to fill the matte pipeline to the refinery and the refinery circuit and plant stocks before all of the additional metal can be offered to customers.

Thus, the Strathcona project, between the start of ore development to the production of nickel in matte, will have required

some seven and one-half years and about $60,000,000. Of this time period, delays entirely attributable to direct and indirect labour interruptions and manpower shortages on the job have amounted so far to six to nine months.

Projects associated with the main Strathcona project included the provision of additional railroad facilities at Falconbridge, the acquisition of special railway cars for transportation of concentrate slurry and the required unloading facilities at Falconbridge. Another project involved provision for bulk handling of matte at our terminals near Parry Sound and Quebec City, and construction of a specially designed matte ship for transportation of the matte to the refinery. Returning, the ship will carry the refined metals destined for our North American markets. The ship is expected to be in service late in 1968; the facilities other than for matte handling are either in service now or will be by that time, except the Parry Sound terminal where construction has been deferred for the present.

In September, 1967 a new cobalt refining unit was put into service at Kristiansand. The commercial-sized unit of a new nickel refining process is also in operation and performing according to expectations. There is adequate capacity at the refinery to handle the additional nickel-in-matte production anticipated at present.

The refinery also placed in service last year a new laboratory with greatly increased space and facilities for research and quality control.

Another project brought to completion in 1967 was the construction of the new foundry and fabricating building of Fahralloy Canada Limited, at Orillia, Ontario. Located on a 52-acre plot at the edge of the town, the $2,700,000 plant is partly occupied by Fahralloy-Wisconsin Limited, a 50 per cent owned associated company in the centrifugal casting field.

Thus, the past year saw the completion or virtual completion of several of the major

projects that Falconbridge had under way. These undertakings required very substantial capital expenditures. Over the past two years the company and its wholly-owned subsidiaries have spent in excess of $100,-000,000 on capital, development and pre-production, from which there was no significant revenue entered into the 1967 accounts. Aside from a bank loan at the end of 1967 these funds came out of Falconbridge's resources and readily explain the reduced working capital position.

While it is satisfactory to record completion or near completion of previously discussed projects, the future growth of the company requires that others be under way. Some of those that now have advanced to the forefront will be discussed next.

Activation of New Projects — Iron-Sulphur

For many years, Falconbridge has been concerned with the problem of air and water pollution as related to its mining, smelting and refining operations. As production increased and as the areas surrounding the plants became more densely populated, alleviation of the problem — to the maximum degree feasible — became more desirable. The initial attempt in this direction was made at our refinery in Kristiansand, Norway in 1938 when the company acquired a license and installed the first commercial unit of the unproven Guggenheim process designed to recover sulphur as liquid SO_2. The installation was not successful at first because of severe corrosion problems encountered in the recovery plant. Not until the early 1950's did the operation become technically reliable, and only in the latter part of the decade did it reach a break-even point economically.

It was obvious, as production expanded in the Sudbury area, that sulphur compounds would have to be removed from the circuit, if the emission of sulphur to the atmosphere was to be brought under control in the near future.

About fifteen years ago, we decided that it would be better to remove as much as possible of the sulphur-bearing mineral pyrrhotite before it entered the nickel-copper smelter, even though if all were removed it would carry away 15 to 20 per cent of the nickel in the ore. As this technique was perfected, the concentrate was in part stockpiled and in part treated in a pyrrhotite plant at Falconbridge where the nickel was extracted. The iron was recovered as a commercial iron oxide product and the sulphur vented to the atmosphere, since our plans to recover the sulphur as sulphuric acid were rendered uneconomic by the development of what was then a surplus of by-product sulphur from Alberta gas wells.

With the development of Strathcona and the consequent increased production level, attention was centered on means whereby the iron and its associated nickel in pyrrhotite could be recovered as a high quality iron-nickel pellet and the sulphur in elemental form. Pilot work was carried on by Falconbridge and Allied Chemical Canada, Ltd. over an extended period of time. A contract was signed January 26, 1968 whereby Falconbridge will build an iron ore concentrator to treat the pyrrhotite to recover the iron and contained nickel, and to deliver the sulphur-bearing gas to the adjacent plant provided by Allied Chemical under the arrangement. Our plant is designed for construction in two steps. The first stage, treating 500,000 tons annually of pyrrhotite, will cost Falconbridge an estimated $35,000,000 and is to be completed in late 1969. The second stage will be added after successful completion and operation of the first unit and will treat all the remaining available pyrrhotite from our Sudbury mills, i.e. up to another 500,000 tons annually.

Dominican Republic

Falconbridge has been carrying on exploration and development work in the Dominican Republic since the mid-1950's

through a subsidiary company, Falconbridge Dominicana C. por A., which holds a concession on mineral rights over an elongated area containing approximately 300 square miles. Of several lateritic areas contained therein, two adjacent areas in the central part of this concession have been test-pitted and drilled to the point where we are satisfied that they contain at least 62,000,000 tons of ore averaging at least 1.55 per cent nickel. This ore begins at the surface and ranges in thickness from zero to more than 180 feet, with the main reserves averaging about 30 feet in thickness. Mining will be by open-pit methods using mechanical equipment such as shovels, bulldozers and payloaders.

The proposed metallurgical process has been tested in two successive pilot plants. The first plant was operated for about one year, then was remodelled and enlarged. The present plant, in operation since March, 1967 now treats about 140 tons of ore a day. The product is a high-grade ferronickel which has been tested by several large nickel users and found satisfactory. We propose to construct a plant capable of producing more than 50,000,000 pounds of nickel in ferronickel annually, at an estimated cost of upwards of $150,000,000 (U.S.) to be in operation in late 1971. We are presently considering what manner of financing is most appropriate for our purpose.

New Quebec Raglan

Four concessions held in the northern part of the Ungava peninsula by New Quebec Raglan Mines Limited, a 60 per cent owned subsidiary, were further investigated by a 41,000-foot drilling program in 1967 and preliminary preparation was made for shaft sinking, including collaring of a shaft. The appearance of the Carter Tax report, together with a number of other uncertainties relating to operations in that area, led to temporary deferment of shaft sinking, while more drilling is done and additional data for a more comprehensive

feasibility study are being assembled. The ore reserves are of good grade but very substantial proven reserves will be required to justify the large capital expenditures necessary to achieve production on an economic scale. Tax considerations become of paramount importance in appraising such a project.

Lockerby

The Lockerby property on the South Range in the Sudbury District, on which some previous work had been done, was diamond drilled in a close pattern beginning in 1961, and a substantial orebody discovered at depth. This is expected to be the next orebody to be developed as part of the orderly development of our holdings in the district. Shaft sinking is expected to begin about November of this year and to be continued at a normal rate. Preparation of Lockerby for production will probably require at least six years.

Lake Dufault

Sinking of a new shaft some 3.5 miles from the present operation at Lake Dufault was announced in February, 1968. This shaft will make possible underground exploration of the orebody recently probed by deep diamond drilling on the Lake Dufault property. It is expected that this shaft will be completed at 4,100 feet in July, 1970 at which time, some underground exploration will also have been completed. It is estimated that preparations for mining will be completed by January, 1971.

Housing

A continuing problem at most of our operations is insufficient housing for married men. In the Sudbury District in 1967, 82 houses were completed through our efforts and 52 are authorized for 1968. Twelve housing units and two 22-man dormitories for single employees are authorized for Giant Yellowknife and 10 housing units at Opemiska.

Since in many cases the continued use of

the house depends on the maintenance of the mining operation, private financing is not available and such houses thus represent a very large investment or guarantee by the company. Along with the housing go other necessary adjuncts such as schooling, recreation facilities, and in more remote areas, provision for medical treatment and hospitalization. It is rather discouraging when a Province seizes on this situation as another form of indirect taxation. At Tasu, B.C., where Wesfrob built a three-room school which can only be reached by children living on this isolated island townsite, the estimated 1968 school tax is $294,000. On the basis of 27 children now attending, this represents a tax of approximately $11,000 for each child. British Columbia also increased by 50 per cent its mining tax this year, as well as introducing other changes that effectively double the tax on a new company during its early years. There seem to be clear indications that the Government of British Columbia has reverted to the same philosophy that drove much of the industry and most mining exploration out of that Province once before.

Corporate Changes

There were a few noteworthy corporate changes during the year. Industrial Minerals of Canada Limited, in February, 1967 acquired the mining assets of Simsil Mines Incorporated in Quebec and integrated them into its Silica Division. In November, Industrial amalgamated with Acton Limestone Quarries Limited. The continuing company is known as Industrial Minerals of Canada Limited and the Acton activities now constitute Industrial's Aggregates Division. As part of this arrangement, Falconbridge surrendered its holdings of Acton bonds and common stock in exchange for Industrial shares, and now owns 68.1 per cent of Industrial Minerals of Canada Limited.

As of the first of 1967, Fahralloy Canada Limited and Wisconsin Centrifugal, Inc. entered into a joint venture to form a new

company, Fahralloy-Wisconsin Limited. The latter company rented space to be set aside in the new plant for centrifugal production, purchased all of Fahralloy's centrifugal equipment and rented certain other space. The new company will augment the types of centrifugal castings formerly produced by Fahralloy Canada Limited, with facilities for vertical centrifugal castings, machinery and bronze castings. This new plant was formally opened in September, 1967. The profitability of both Fahralloy Canada Limited and Fahralloy-Wisconsin were somewhat below expectations in 1967 in line with the somewhat depressed state of business in the foundry industry. We have every confidence that with the excellent facilities now available, these plants will soon be operating at a satisfactory new high level.

Ventron Corporation (formerly Metal Hydrides Incorporated) has shown a remarkable comeback since its stock market low in 1962 of $5.25. Recent prices have been more than 12 times as high. The company originally was mainly concerned with the manufacture and sale of hydride compounds, particularly sodium borohydride. In view of the very limited markets for such products it chose a course of planned diversification. This had led to products such as hydrogen generators for military use, silica crystals and related chemicals used in solid state electronic devices including transistors and integrated circuits, radio remote controlled hoists and other equipment, pure inorganic chemicals, special purpose magnets and electromagnetic microbalances. This diversification of production has resulted from a series of mergers and purchases, the largest of which was the purchase of the Cahn Instrument Company in November, 1967. Earnings have risen from a deficit after taxes in 1962 of $109,031 to a net profit of $619,000 in 1967; sales from $1,948,126 to $7,934,000 (U.S.), and net current assets from $2,349,401 in 1962 to $3,415,882 as of December 31, 1967.

About 1960 Falconbridge considered that Metal Hydrides (now Ventron) was a company outside our field of competence to properly manage but also was unduly depressed on the market. Accordingly the Ventron management was changed and the new team has successfully restored the company's business. Falconbridge directors have authorized a secondary offering of Falconbridge holdings of Ventron stock and the proposed offering, together with a block of Ventron Treasury stock, is now before the Securities and Exchange Commission.

Organizational Changes

As mentioned earlier, Falconbridge will reach its fortieth birthday of corporate life on August 28, 1968, and time inevitably brings certain changes. In June, 1967 Mr. Thayer Lindsley, for reasons of health, resigned from the Board. His resignation was accepted with great regret, and your Board felt he should be appointed Director Emeritus in recognition of his founding of the company and his long service as a Director. The Board also wishes to record its appreciation for his foresight and vision in founding Falconbridge and trusts that he may thoroughly enjoy the leisure of retirement.

In February, 1968 the company announced an extensive reorganization of its senior staff, including the establishment of several new divisions within the corporation which involve supervision of at least twenty active companies. The purpose was two-fold: to spread the work load more evenly and to enable some of the younger men to assume a broader field of responsibilities. Falconbridge is a company with widely diversified interests. It needs and has, in the present group of more senior executives, a variety of experienced talents well suited to deal with its problems. Falconbridge has always recognized that its real strength as a company has been its human resources.

Closing Remarks

On behalf of the Directors, I wish to express our deep appreciation to the management and employees of Falconbridge and its affiliated companies for their combined efforts in the heavy program we all faced last year.

This year, 1968, may long be remembered as a year of turmoil. In Canada, in recent months, we have seen replacement of our political leadership in both major parties and may see major changes in the political atmosphere of our large neighbour to the south. We move from one financial crisis to the next. Unrest is evident wherever we turn. Despite these current problems, the market demand for our products remains strong, and there is every indication that with the increasing sophistication of industry it will further accelerate. To provide for this anticipated acceleration, your company is entering another period of major expansion which appears necessary to meet these anticipated growing needs for our products.

Additional copies of this
booklet may be obtained
on request from:
Public Relations Office,
Falconbridge Nickel Mines Limited,
7 King Street East,
Toronto 1, Canada.

Printed in Canada